

INVESTMENT COMMITTEE

PURPOSE

The Lions of Pennsylvania Investment Account is primarily established for a long-term investment to preserve the real (adjusted for inflation) purchasing power of the assets and income. Specifically it seeks to ensure that the present value of the existing funds grows at a rate that will exceed inflation while generating a predictable stream of disposable income as determined by the Council of Governors.

The investment objective is to achieve a total return equal to or greater than the rate of inflation over the long term. Total rate of return considers interest and dividend income, plus realized and unrealized capital gains. It is recognized that the real return objective may be difficult to attain in every yearly period over a span of 3-5 years.

GENERAL

1. The five member investment committee shall consist of:
 - a. The MD 14 State Financial Advisor who is a CPA
 - b. The Finance Committee Chairperson who shall serve on the committee for 1 year
 - c. Three qualified Lion members

The Chairperson of the committee shall be determined by the three committee members and shall be approved by the Council of Governors. The Financial Advisor and the Finance Chairperson shall be members of the committee and shall not serve as Chairperson.

Members of the committee may come from any region in MD 14. The committee members may be re-appointed to the committee at the completion of their term. The appointments shall be made at the first Council of Governors meeting.

All committee members are required to attend 50% of the committee meetings when called by the Chairperson or the Council of Governors. A Lion may be excused for a justifiable reason when the Chairperson is notified prior to the meeting.

2. Qualifications to serve on the committee:
 - a. Knowledge of all types of investment vehicles.
 - b. Shall have expertise in investments in business or personal finances.
 - c. Able to attend meetings at State Office with the Financial Advisor.
3. The Investment Committee shall meet with the Investment Firm Advisor twice during the Lion year and the Committee Chairperson shall report to the Council of Governors at the second or third Council of Governors Meeting.

The Investment Committee Chairperson may report to the Council of Governors if a change in the investments warrants.

4. Investments will be made for the sole interest and exclusive purpose of providing the maximum return with the constraints decided upon by the Investment Committee recommended to the Council of Governors. The asset must be invested with care, skill and diligence that a prudent person acting in this capacity would undertake. The Investment Committee, so designated by the Council of Governors, will implement the policy to achieve a return after fees, superior to the return of the target asset mix as designated by the Investment Committee each year without additional risk as measured by the variable type of returns. The investment returns of the Trust shall and should be measured against those of a target portfolio. Equity market performance will be compared to the S&P 500 index, while fixed income will be judged by the Lehman Intermediate government bond index.
5. Investment Guidelines:
 - a. The investment objective of common stock (equity mutual funds) is to provide for both long-term capital appreciation and growth in current income. An objective of the equity portion is to achieve a net annual return that equals or exceed the CPI plus 6-7% over a moving 3-5 year time period. A secondary objective of the equity portion is to outperform (net of fees) the S&P 500 index.
 - b. The fixed income is to provide a hedge against inflation and to provide a consistent rate of current income as determined each year by the Council of Governors. Net return would be expected to exceed inflation by at least 2% annually over 3-5 years. The Investment Committee would be expected to select from appropriately liquid preferred stocks, corporate debt securities, obligations of the US Government and its agencies and convertible securities.
 - c. Cash and equivalents are to provide liquidity for the Investment reserves and current operations and, from time to time, to serve as a substitute for other asset classes for defensive purposes in an adverse market condition. Examples of these particular vehicles would be commercial paper, repurchase agreements, treasury bills, certificate of deposits and money market funds to provide income, liquidity for expenses and preservation of the principal value.
 - d. Commercial paper should be rated A-1 or P-1 as rated by S&P and Moody's respectively. Uninvested income cash reserves should be kept to minimum levels with the provision that the Financial Advisor has complete discretion to allocate and select short term cash and equivalents.
6. Monitoring Objectives and Results:

- a. All objectives and policies are in effect until modified by the Council of Governors the Investment Committee Advisor is required to inform the Finance Committee immediately of any significant changes in firm ownership, organizational structure, professional personnel, account structure or fund investment philosophy.
 - b. If at any time the Financial Advisor believes the policy guideline inhibits investment performance, it is the Investment Committee's responsibility to clearly communicate this view to the Finance Committee.
 - c. Portfolios will be monitored on a continuing basis for consistency in investment philosophy, return relative to objectives and investment risk as measured by the asset allocations. Portfolios will be reviewed twice a year by the Investment Committee on a continuing basis.
 - d. The Investment Committee should issue monthly account statements, if possible, of the transactions and holdings. These statements are to be made available for at least two meetings a year as needed to review the status of the account and the Investment Committee's performance compared to objectives.
7. Spending Policy:
- A spending policy is determined each year by the Investment Committee and recommended to the Council of Governors, establishing the amounts to be distributed from the Investment fund for each of the subsequent four calendar quarters. The spending amount is based on a total return policy. That is, distributions are to be realized from income (both interest and dividend) and, if necessary, from capital gains (both realized and unrealized).
8. Fee Schedule of Financial Advisor:
- All the pertinent information concerning investment fees is to be determined from a disclosure by the assigned Financial Advisor. Obviously, the fees will be determined both on income and principal as designated. The Financial Advisor will provide, on a timely basis, any changes in the fee schedule, either anticipated or actual, so that the Investment Committee should be promulgated to ascertain a new approach for some type of damage control.
9. The Chairperson shall submit a budget for committee meetings and reporting to the Council of Governors to the Finance Committee prior to November 30 for the next Lions year.